



September 2008

2009 Drought Water Bank Overview

Introduction

Following two critically dry years, 2009 has the potential to be one of the most severe drought years in California's recorded history. Water supplies in major reservoirs and many groundwater basins are already well below average. Court-ordered restrictions on water deliveries from the Delta have significantly reduced supplies from the state's two largest water systems. Climate change is reducing mountain snowpack - a critical source of natural water storage. Finally, California's population is growing rapidly, but our statewide water system that has not kept pace.

Governor Schwarzenegger has proposed a comprehensive water plan to address the long term water needs of the state. Earlier this summer, he issued an executive order to address the statewide drought and declared a drought emergency for much of the Central Valley. In response to the Governor's executive order, the Department of Water Resources (DWR) is implementing a number of actions now in preparation for a potentially dry 2009 and beyond:

- **Aggressive Water Conservation** - Many communities in the state are now reaching the limits of their supply. Aggressive water conservation can help stretch available supplies to meet demands. DWR is actively moving forward with water conservation programs to enhance these programs and provide state funding.
- **Financial Assistance for Drought Programs** - DWR will continue to provide financial assistance for drought programs, including special assistance and incentives to disadvantaged communities. In addition to the \$17 million made available for drought assistance grants in August 2008, DWR will make additional drought assistance funding available in 2009.
- **Technical Assistance for Small Water Systems and Private Well Owners** - Small water systems and private well owners have historically experienced most of the health and safety impacts and the majority of water shortage emergencies during droughts. Using its district offices, DWR will conduct targeted outreach and planning and provide technical assistance to those water agencies at greatest risk.
- **Drought Education, Information and Outreach** - Outreach and education are key components to dealing with California's drought. During this drought

Californians will be called upon to reduce their water consumption and support efforts to enact a comprehensive solution to the state's water crisis. DWR will work in partnership with the Association of California Water Agencies, the California Water Awareness Campaign and others to help increase public education about the drought.

In addition to the actions described above, and with assistance from other public, state and federal agencies including the U.S. Bureau of Reclamation (Reclamation), DWR is implementing a Drought Water Bank for 2009. DWR has initiated dry year water purchasing programs in the past, including drought water banks during the early 1990s, and dry year water purchase programs in 2001-2004. Since 2008 is a critically dry year and extremely low reservoir storage levels are forecast for this fall, DWR expects that some California water suppliers will need to supplement local and imported supplies with water transfers from willing sellers.

2009 Drought Water Bank Program Overview and Structure

To implement the 2009 Drought Water Bank DWR, through the formation of an acquisition team, will purchase water from willing sellers from water suppliers upstream of the Sacramento-San Joaquin Delta. This water will be transferred using State Water Project (SWP) or Central Valley Project (CVP) facilities to water suppliers that are at risk of experiencing water shortages in 2009 due to drought conditions and that require supplemental water supplies to meet anticipated demands. Water acquired by the 2009 Drought Water Bank would be available for purchase by public and private water suppliers in California based on certain needs criteria as applicable.

Water supplies from the 2009 Drought Water Bank will be open to all water suppliers that can obtain water from the Delta either directly or by exchange with other water suppliers who have access to Delta water supplies from the SWP or CVP.

Those water users that do not have access to Delta water supplies may seek assistance from other DWR drought programs. Information regarding drought-related programs and resources may be accessed online at: <http://www.water.ca.gov/drought/>

The Policies DWR will follow for the 2009 Drought Water Bank include:

- Local water needs are considered as a priority before water is transferred out of the region
- Transfers will be made without injuring other legal water users and without unreasonably affecting fish, wildlife, or other instream beneficial uses
- Transfers will be made without unreasonably affecting the overall economy or the environment of the county from which the water is transferred
- No more than 20 percent of the cropland in any county may be idled due to the 2009 Drought Water Bank, unless additional evaluations are conducted related to both the economic and environmental impacts
- Transfer water will be those water supplies that would not have been available in the Delta absent the transfer
- Water will be allocated in accordance with priority of need, with health and safety considerations paramount

- Transfers and related actions need to be in compliance with federal and state environmental laws as applicable and local ordinances consistent with State law
- Transfers through SWP facilities for use in a SWP contractor's service area will be conveyed under existing SWP long-term water supply contracts and through SWP Contractors
- Transfers involving water supplies made available pursuant to CVP water service and/or water right settlement contracts, must comply with the terms and conditions of the existing CVP contract
- Transfer recipients are expected to have and implement an adopted water management plan including conservation measures designed to result in a minimum of 20 percent overall savings

The 2009 Drought Water Bank will be coordinated with all agencies demonstrating a desire to participate as buyers or sellers in the 2009 Drought Water Bank. To assure that the water transfers provide the expected benefits, DWR intends to closely coordinate the implementation of the 2009 Drought Water Bank with Reclamation.

DWR and Reclamation will coordinate with the California Department of Fish and Game, US Fish and Wildlife Service (USFWS), and National Marine Fisheries Service as appropriate to meet legal environmental requirements. Sellers will be expected to obtain State Water Resources Control Board approval if necessary. DWR will provide California Environmental Quality Act (CEQA) and Endangered Species Act (ESA) compliances for the 2009 Drought Water Bank, and will require certain environmental safeguards to be included in purchase agreements, as appropriate, based upon the nature and location of the transfer water. In addition, compliance with the National Environmental Policy Act (NEPA) will be necessary for transfers involving CVP water.

Buyers entering the 2009 Drought Water Bank by October 15, 2008 will have the advantage of:

- CEQA coverage for water transfers to the Buyer's service area under the 2009 Drought Water Bank program. (Sellers that notify DWR of their interest by November 1, 2008 will also have CEQA coverage)
- 2009 Drought Water Bank storage in upstream reservoirs as may be available depending on project needs and specific conditions of the transfer
- Early preparation against another dry year

The ability to meet the combined needs of the prospective buyers will depend on the level of seller participation.

Draft Needs Criteria

The relative needs of water agencies will be assessed to help allocate water purchased from willing sellers to buyers through the 2009 Drought Water Bank. The following criteria are currently being considered in assessing need, based on a dry hydrologic condition (90 percent chance the year will be wetter and 10 percent chance it will be drier):

- Health and Safety needs including indoor residential and institutional and emergency uses

These criteria may be modified to balance available water with prospective buyers and to reflect actual hydrology.

Water purchased by DWR for the 2009 Drought Water Bank will be allocated based on meeting critical needs of water suppliers as outlined above. Any water not needed for the 2009 Drought Water Bank to meet the critical needs outlined above will be available to the buyers that signed up for the 2009 Drought Water Bank by October 15, 2008.

Prospective Buyers from the 2009 Drought Water Bank

Agencies that foresee a need for additional water in 2009 should express their interest to DWR no later than October 15, 2008 so that DWR can seek an adequate CEQA coverage and 2009 Drought Water Bank supply for buyers. Prospective buyers should contact **Teresa Geimer, Drought Water Bank Coordinator, at 916-651-7194 or email at tgeimer@water.ca.gov** by October 15, 2008. For CVP contractors that have questions on how their existing CVP water service or water right settlement contract(s) relate to their participation in the 2009 Drought Water Bank, please contact **Angela Slaughter, Chief, Water Contracts, Transfers and Banking Branch, Bureau of Reclamation, at 916-978-5250 or email at aslaughter@mp.usbr.gov**.

Buyers will be expected to make a deposit in advance to be eligible to purchase water from the 2009 Drought Water Bank when the buyer contract is sign expected in early December 2008. Buyers contracts will only be offered to those buyer that notified DWR of their interest by October 15, 2008. Buyers will be required to make a deposit of \$75 per acre foot of water requested. \$70 per acre foot will be applied towards the total purchase amount of the water and a non-refundable five dollars per acre foot will cover the DWR administrative costs associated with the 2009 Drought Water Bank. Buyers will be required to commit to pay the full amount of the water transfer though their buyer's contract before DWR executes purchase agreements with willing sellers. Buyers will also be requested to quantify the amount of water to meet their critical needs under varying hydrologic conditions.

In addition to water costs, buyers will be required to pay conveyance costs that will vary by their delivery location. Conveyance of water from the 2009 Drought Water Bank to buyers in the SWP service area will be conveyed under existing long-term water supply SWP contracts.

Buyers should be aware that there is only about a 50 percent chance that DWR will have capacity in SWP project facilities to convey 2009 Drought Water Bank water from areas upstream of the Delta to the export service areas west and south of the Delta. In the event that hydrology in the winter of 2008-09 ranges from average to relatively wet, cross-Delta capacity for export of transfer water may become unavailable to deliver 2009 Drought Water Bank water to buyers. Some of this water may be able to be stored in upstream reservoirs for delivery next year, but will be subject to spilling depending on the hydrologic conditions in 2009-2010. Any money committed to the sellers for 2009 transfer actions will still need to be paid by the buyers whether the water is capable of being delivered or not.

Prospective Sellers to the 2009 Drought Water Bank

DWR is actively seeking sellers for the 2009 Drought Water Bank. Interested sellers are invited to contact **Teresa Geimer, Drought Water Bank Coordinator, at 916-651-7194 and email at tgeimer@water.ca.gov** by November 1. Sellers identified by November 1, 2008 will be covered

in the 2009 Drought Water Bank CEQA document. In addition, DWR will be contacting agencies that have sought to transfer water in the past. For CVP contractors that have questions on how their existing CVP water service or water right settlement contract(s) relate to their participation in the 2009 Drought Water Bank, please contact **Angela Slaughter, Chief, Water Contracts, Transfers and Banking Branch, Bureau of Reclamation, at 916-978-5250 or email at aslaughter@mp.usbr.gov.**

Water will be purchased for the 2009 Drought Water Bank from willing sellers. Willing sellers may make water available in four main ways:

- Reservoir releases above normal operations
- Groundwater substitution - using groundwater instead of surface water supplies that are normally used
- Cropland idling - not growing a crop (above normal fallowing practices) that would have been grown except for the water transfer
- Crop substitution - growing a less water-intensive crop than would have been planted except for the water transfer

These four ways of providing water for transfer are explained in more detail in draft water transfer papers ("White Papers") prepared by DWR and Reclamation in consultation with other agencies which are available on DWR's website at:

<http://www.watertransfers.water.ca.gov/>.

These draft water transfer papers provide details on how DWR and Reclamation will account for transfer water in the Delta under the Coordinated Operations Agreement to assure that transfer water is limited to water that would not have been available at the Delta absent the transfer. Other information will also be posted at the above site, including the steps involved in implementing a water transfer as either a buyer or seller.

After an initial consultation with DWR and Reclamation, prospective sellers will be asked to prepare a transfer proposal detailing how, when, and where they would make water available. DWR and Reclamation will coordinate efforts to resolve any uncertainties or outstanding issues related to the transfer. Local government will be advised such proposals are under development.

No more than 20 percent of the cropland idled in any county may be considered as a source of transfer water without a detailed economic analysis of the effects on the overall economy on the county from which the water is transferred. The Sacramento Valley will generally be the area in which water is first sought for cropland idling transfers. Other regions will also be considered as applicable.

DWR, through the acquisition team, will develop individual transfer contracts with water agencies and districts rather than individual property owners since water agencies/districts usually have the overlying water right. Individual property owners should coordinate their transfer proposals with their water agency/district. Every effort will be made to expedite the process. DWR will coordinate with local governments as such proposals are developed.

DWR will assist prospective sellers in obtaining any local permits that may be required for the transfer of water to the 2009 Drought Water Bank, and will require monitoring the transfers to determine transfer terms are met. Some of the data DWR currently collects may be helpful in the development of these monitoring programs. DWR will provide CEQA coverage for the 2009 Drought Water Bank by using the environmental protection measures

and mitigation measures developed for the Environmental Water Account (EWA) to the extent they are applicable to assure that transfers and related actions are in compliance with applicable federal and state Endangered Species Acts and to prevent unreasonable environmental impacts. These measures are the basis for an existing USFWS Biological Opinion covering the water transfers evaluated in the EWA Program, and can be referenced at <http://www.usbr.gov/mp/EWA/documents.html>. DWR is consulting with USFWS to address their concerns.